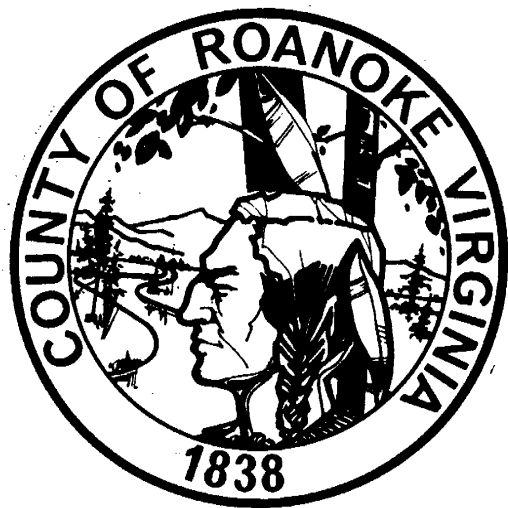


*County
Administrator's
Message*





County of Roanoke

Office of the County Administrator

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April 27, 2004

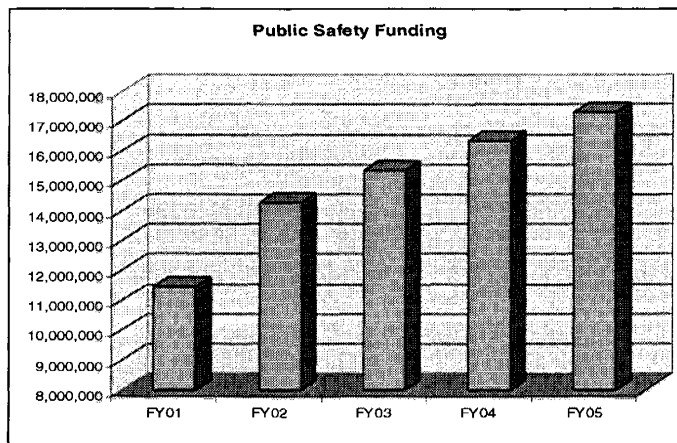
Honorable Members of the Board of Supervisors:

Mr. Chairman and members of the Board of Supervisors, the proposed budget which is attached, allows us to accomplish many of the goals set forth by you and the Roanoke County School Board while maintaining a fiscally conservative philosophy in terms of taxation and spending. You'll find our strong financial position and diverse economic base allows us to continue to preserve or enhance current service levels for our residents. In addition, this budget proposes funding for several large County capital projects. It also places strong emphasis on public education, public safety, and economic development. The budget is balanced within existing tax rates and fees in place and does not include recommendations for new personnel positions. The Board and School Board have been extremely supportive of our employees and we have included funds for 3.5% salary increases and funds for health care and retirement increases. The total budget, including all funds and Roanoke County Schools, is \$288,658,136.

FY2004-2005 Budget Summary

Roanoke County is well prepared for the future. We continue to explore regional solutions to serve the needs of our citizens as we have done in the past. In recent years we have formed a joint authority and built a regional landfill and refuse transfer station with Roanoke City and Vinton for solid waste disposal. We have also entered into an agreement with the City for joint fire and rescue staffing. An agreement is also in place for valley-wide library services. Currently, another notable regional project is about to take flight with the formation of the proposed regional water authority.

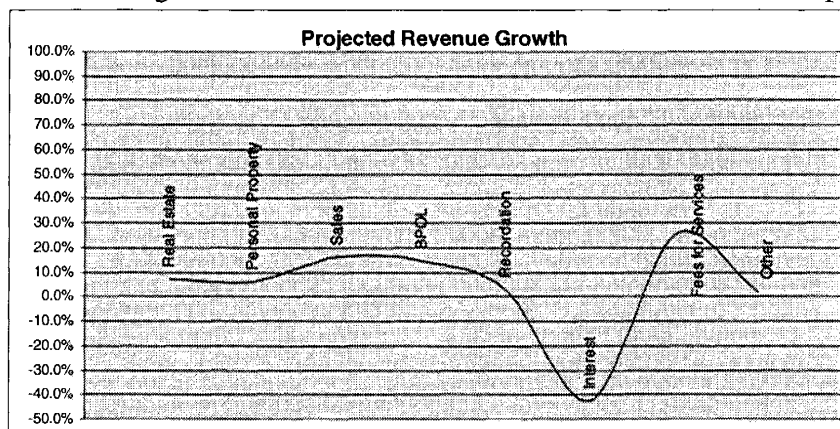
We are also enjoying many other accomplishments. Over the past several years the County has enhanced Public Safety by adding 40 firefighter positions in Fire and Rescue. The Police Department has added five School Resource Officers, six Dispatchers in the E-911 Center plus six Patrol Officers to staff a new patrol district. The County has also funded \$70 million in school construction projects, successfully invested in economic development initiatives, and has nearly completed technology upgrades to increase efficiency throughout



the county. We have done much to serve the needs of our citizens; however, there are still significant challenges that must be addressed. Some of these challenges include capital needs, growing public safety concerns, management of growth and development, establishing competitive employee benefits, and demographic changes.

Funding of Operations – New Revenues

The General Government Fund budget for FY2004-2005 is projected to be \$136,228,566. Local economic conditions are improving, but growth is inconsistent. For instance, revenue growth in some categories is healthy while in other revenue categories it is sluggish. For example, real estate values and retail sales have shown strong growth; however, used car values have decreased. Overall revenue growth is projected at \$8,298,642 or 6.5% for FY04-05, but this growth includes some funds that are committed for specific purposes and



programs. Of the \$8.3 million increase, \$800,000 of that amount is federal pass-through funds for social service program reimbursements. In addition, \$400,000 is generated from rescue transport fees that must be utilized for fire and rescue services. Finally,

investment in economic development initiatives for new retail and manufacturing companies will produce an additional \$840,000 of real estate, business personal property, and sales tax revenue; however, this revenue will be returned to the companies as incentives reimbursements over the next several years. After taking into account the dedicated revenues, \$6.2 million will be available to fund on-going county operations, an increase of 4.8%.

State Budget

The most difficult challenge during this year's budget process has been the inability of the General Assembly to develop and adopt a state budget in a timely manner. While state appropriations comprise a little over 6% of the county's operating budget, state funding

represents more than 48% of the Roanoke County School system's \$112 million operating budget. This uncertainty made it difficult for both the Board of Supervisors and the School Board to determine pay raises for employees, to issue contracts for teachers, and to grant funding requests for important programs and services. Several years ago the state changed its fiscal year for funding social service programs to May 31st. Several localities actually considered shutting down operations at the end of May because they were unable to negotiate new contracts for the provision of services due to the lack of a state appropriation.

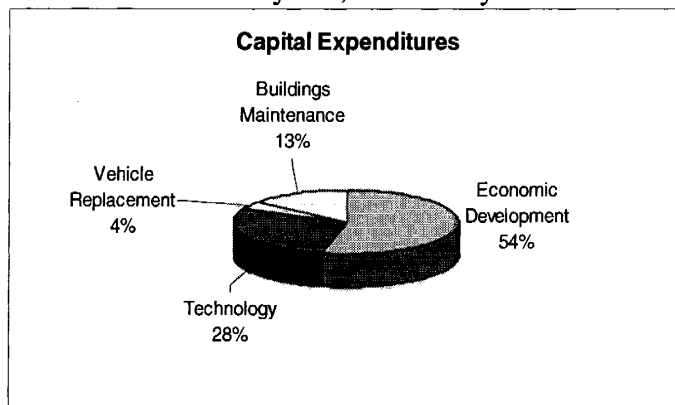
In the end, State legislators provided increased revenues for Schools by \$7.9 million. This increased school funding may have an impact on future state funding for other county services. Some of these include police, jail, social services and constitutional offices. The Roanoke County budget includes increased funding from the state of approximately \$930,000, primarily from adjustments of federal pass-through funding of social service programs. State appropriations for FY2004-2005 are projected at \$9,010,728.

Western Virginia Water Authority

We continue to look for ways to improve service to the citizens of Roanoke County and beyond. For the past year and a half, Roanoke County and the city of Roanoke have negotiated the formation of a new water and wastewater authority. Contract negotiations are expected to be completed by July 1, 2004 so that assets and personnel can be transferred to the newly formed Western Virginia Water Authority. When the Authority becomes operational, the county will have transferred approximately \$28 million and 68 employees. The City will likewise transfer personnel and assets to the Authority. While this will make the City and County operations more efficient, the move does impact next year's budget. In the past, some County departments have performed services for the County Utility Department and have been reimbursed for their work. Water and Sewer fund transfers to general county operations for the services provided will no longer be made. This elimination of inter-fund transfers will cost General Fund operations approximately \$315,000 that will need to be offset against new revenues. However, this cost is small when you consider the long term benefits that the Authority will provide water and sewer customers.

Capital Improvements

Over the last several years, the County has underscored its commitment to education by



funding approximately \$70 million of a \$120 million construction and renovation program for Roanoke County Schools. While these projects were essential to maintain the excellence of our schools, the dedication of funds for these projects has left some of the county's capital projects unfulfilled. There have been no significant capital expenditures for county projects over the last 13

years (last G.O. bond issue was 1991). It is now necessary to address these critical needs.

With many capital needs identified by staff, a Capital Improvements Program (CIP) Review Committee was established. This committee was comprised of county citizens who were given the task of evaluating and prioritizing capital projects from a community perspective based on priorities set forth by the Board of Supervisors. Based on their evaluations, the committee objectively ranked each project and submitted their results to the Board to be considered when developing the FY2004-2005 budget. Working from the CIP Committee's recommendations, the Board and staff developed a plan utilizing capital balances, existing funding streams, and expenditure savings over the next several years to address the following capital needs:

• Replacement of Fire & Rescue Pager System	\$ 796,483
• New Public Safety Center	20,000,000
• Upgrade Public Safety Radio System	10,000,000
• Vinton Fire & Rescue Station	400,000
• Valleypointe Business Park– Phase II (\$500,000/yr.)	3,000,000
• Regional Jail	15,000,000

It should be noted that this plan does not address all long-term capital needs for Roanoke County, but the above projects represent the most pressing safety and welfare needs of our citizens. Additional planning is necessary to address other “quality of life” needs such as additional school projects, libraries, and parks.

Capital Maintenance: During the evaluation of capital projects, the CIP Review Committee arrived at the conclusion that a number of capital projects (primarily in Parks & Recreation) were mainly maintenance issues that, due to deferral, escalated into capital requests. The committee recommended a review of maintenance budgets for possible increases to mitigate this problem in the future. As part of that staff review, the proposed budget includes increasing capital maintenance funds in Parks & Recreation by \$150,000.

FY2004-2005 Budget Highlights

Education

- Transferred operating funds totaling \$55,418,524 to help fund an average 3.5% salary increase and other program enhancements.
- Increased debt service contributions from \$5,963,805 to \$8,048,555 to pay debt for the most recent School construction projects that have been approved.

Community Development

- An additional \$257,700 has been allocated to the Department of Community Development for increased drainage maintenance services to reduce storm-water runoff onto neighboring properties.
- \$90,000 in additional staffing was included in the Solid Waste Collection budget to double the frequency of bulk and brush pick ups to residences.
- While tipping fees for garbage disposal will remain unchanged for FY04-05, increased tonnages will require an increase of \$65,000 to the Solid Waste Collection budget.

Human Services

- Increases in both case loads and costs for service provision have warranted an additional \$1,000,000 allocation to the Community Policy Management Team (CPMT) transfer for mandated cases. This program is supported with local (county and school) funds and state allocations and provides services to “at-risk youth and families” through inter-agency cooperation.
- The demand for certain social service programs (i.e. foster care and detention) continues to grow. Thus, an additional allocation of \$800,000 has been made to the Social Services budget. Fortunately, these programs are 100% reimbursable and the cost is offset by federal pass-through funds on the revenue side.

Other

- Information Technology Upgrades. As previously reported, many of the county’s hardware and software systems are 10-20 years old, have become outdated, and are currently being replaced. Recurring expenditures of \$770,000 have previously been allocated to this project. The proposed budget allocates an additional \$230,000 to this project to ensure timely completion of information system upgrades.
- Due to jail overcrowding, \$150,000 has been included in the Sheriff’s budget for the outsourcing of inmates to other facilities. This allocation will help reduce the number of inmates at the county jail while planning for a new regional facility is completed.

Employee Benefits

- A salary increase averaging 3.5% for County and School employees has been allocated to next year’s budget. The County cost of this increase is \$1,330,000.
- An increase in the VRS retirement rate represents a major cost increase in the proposed budget. The County’s contribution rate increased from 7.5% to 13.5% and represents an increased cost of \$2,000,000.
- Health Insurance increases of \$250,000 has been allocated due to a 10% increase in plan costs. This allocation represents one-half the total increase in health care costs; covered employees will be responsible for the other half of the increase.

- An increase in the County's match for the deferred compensation program from \$10 to \$25 per pay period has been included in the proposed budget. This program encourages employees to set aside additional money for retirement. The allocation is \$185,000.

Conclusion

I would like to thank the members of the Board of Supervisors for their hard work and guidance throughout this budget year. The Department of Management and Budget is also to be commended for their work in organizing and facilitating changes in the process and providing information needed for informed decision making. In addition, I would like to thank the School Board, superintendent and staff for their cooperation and willingness to work with the Board and County staff to bring together a plan that provides for all of the citizens of Roanoke County.

Sincerely,

A handwritten signature in black ink, appearing to read "Elmer Hodge", with a stylized flourish at the end.

Elmer Hodge

County Administrator

